



Memorandum

File #: 18-20

City Council

6/14/2018

LEGISLATIVE ACTION ITEM

SPONSOR: Ashton J. Hayward, III, Mayor

SUBJECT:

RESOLUTION NO. 18-20 - AUTHORIZING THE ISSUANCE OF AN AIRPORT REFUNDING REVENUE NOTE, SERIES 2018, IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$30,000,000 TO REFUND ALL OR A PORTION OF THE CITY'S OUTSTANDING AIRPORT REVENUE BONDS, SERIES 2008 (AMT) CURRENTLY OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$30,745,000.

RECOMMENDATION:

That City Council adopt Resolution No. 18-20.

A RESOLUTION AUTHORIZING THE ISSUANCE BY THE CITY OF PENSACOLA, FLORIDA OF AN AIRPORT REFUNDING REVENUE NOTE, SERIES 2018, IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$30,000,000 TO REFUND ALL OR A PORTION OF THE REMAINING AMOUNT OUTSTANDING OF THE AIRPORT REVENUE BONDS, SERIES 2008 (AMT), WHICH BONDS FINANCED CERTAIN CAPITAL IMPROVEMENTS AT THE PENSACOLA INTERNATIONAL AIRPORT; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH NOTE; PROVIDING FOR THE PAYMENT THEREOF; FIXING THE MATURITY, INTEREST RATE, PREPAYMENT PROVISIONS, AND OTHER DETAILS WITH RESPECT TO SUCH NOTE; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; AWARDED THE SERIES 2018 NOTE; APPROVING A FORM OF ESCROW DEPOSIT AGREEMENT; APPOINTING AN ESCROW HOLDER; PROVIDING FOR SEVERABILITY; PROVIDING FOR REPEAL OF INCONSISTENT PROVISIONS; PROVIDING AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

On August 14, 2008, the City issued its Airport Revenue Bonds, Series 2008 (AMT), in the aggregate principal amount of \$35,780,000 (the "Series 2008 Bonds"). The Series 2008 Bond proceeds were used to finance a terminal expansion project, an aircraft apron expansion project, the construction of a 550 stall automobile parking lot, and the preparation of plans and specifications for the airport parking structure's expansion as well as retiring the outstanding Airport Improvement Revenue Bonds, Series 2006A and Airport Improvement Revenue Bond, Subordinate Series 2006B.

As part of the April 2018 Monthly Financial Review the City Council was informed of the potential refunding of the Series 2008 Bonds. The Series 2008 Bonds maturing on October 1, 2019 and thereafter are subject to redemption prior to their respective stated dates of maturity at the option of the City, in whole or in part on any date on or after October 1, 2018 in such order of maturity as the City may determine at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption. The outstanding Series 2008 Bonds bear interest at fixed rates, ranging from 5.50% to 6.25% for the remaining bond years.

In order to take advantage of the lower interest rate market and in anticipation of the redemption date of October 1, 2019, City staff along with the City's Financial Advisor, Julie Santamaria of RBC Capital Markets, LLC, began reviewing market conditions and refinancing options. Current conditions indicate significant savings above the 3% minimum required by the City's Debt Incurrence and Administration Policy. With approximately twenty years left until maturity and \$30,745,000 in total principal amount outstanding, the decision to refinance the Series 2008 Bonds with a note privately placed with a financial institution is more feasible than refunding with long term, publicly offered bond financing. Interest savings are greater and professional fees are lower with a private placement as compared to a publicly offered bond issuance.

The City's Financial Advisor has recommended Compass Mortgage Corporation, an affiliate of BBVA Compass Bank, as the lender. Compass Mortgage Corporation has offered a twenty year private placement financing with a fixed interest rate of 3.93%. Interest will be paid semi-annually on October 1 and April 1 of each year commencing on October 1, 2018 and principal payments will be paid annually on October 1 commencing on October 1, 2018 and maturing on October 1, 2038. Net revenues of the Airport will secure the financing, however, the portion of the debt service on the Series 2018 Note that is PFC-eligible will be paid from passenger facility charge revenues.

Compass Mortgage Corporation was represented by John Gormley, Senior Vice President of BBVA Compass Bank, Pensacola, FL. The financing team also included Randy Clement, Esq. with Bryant Miller Olive, the City's Bond Counsel.

PRIOR ACTION:

July 24, 2008 - City Council approved Resolution 17-08 providing for the issuance of the Airport Revenue Bonds, Series 2008 in the original principal amount not to exceed \$39,000,000.

FUNDING:

N/A

FINANCIAL IMPACT:

The Airport is responsible for all professional fees incurred to refund the Series 2008 Bonds, estimated to be approximately \$95,000. On May 31, 2018 the City locked in a 3.93% fixed rate with Compass Mortgage Corporation, which will remain effective through July 30, 2018. The estimated average interest rate of the Series 2008 Bonds is 6.2%. The reduction in the average rate from approximately 6.2% to 3.93% results in an estimated annual cash flow savings of \$509,000 per year starting in fiscal year 2019 through maturity in fiscal year 2038. Anticipated closing date is July 18, 2018.

CITY ATTORNEY REVIEW: Yes

5/31/2018

STAFF CONTACT:

Eric W. Olson, City Administrator
Richard Barker, Jr., Chief Financial Officer

ATTACHMENTS:

- 1) Resolution No. 18-20

PRESENTATION: No